

Message Text

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SUBJECT: SPERRY AND FMTIR SIGN COOPERATION AGREEMENT

1. SUMMARY: OFFICIALS OF SPERRY RAND AND FMTIR SIGNED SCIENTIFIC AND TECHNICAL COOPERATION AGREEMENT MAY 23. SPERRY OFFICIALS STRESS ONLY CONCRETE RESULTS WILL MAKE AGREEMENT SIGNIFICANT. GOC OFFICIALS SAY AGREEMENT IS SIGNIFICANT PER SE, HINTING THEY SEE IT AS A SUBSTITUTE FOR STALLED USG-GOC EXCHANGES AGREEMENT. COMMENT: ALTHOUGH IT IS CLEARLY IN GOC'S INTEREST TO ACHIEVE SPECIFIC COOPERATION PROJECTS WITH SPERRY, IT SEEMS UNLIKELY THAT CZECHOSLOVAK SIDE CAN MOVE AS FAST AS SPERRY SIDE WANTS. END SUMMARY.

2. ON MAY 23, A SCIENTIFIC AND TECHNICAL COOPERATION AGREEMENT WAS SIGNED IN PRAGUE BETWEEN SPERRY WORLD TRADE INC. AND THE FEDERAL MINISTRY OF TECHNICAL DEVELOPMENT AND INVESTMENT (FMTIR). THE SIGNERS WERE KENNETH F. THOMPSON, EXECUTIVE VICE PRESIDENT OF SPERRY
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RAND CORPORATION, AND DR. ANTONIN MRAZEK, FMTIR VICE MINISTER. ACCORDING TO SPERRY OFFICIALS, THIS UMBRELLA AGREEMENT WILL PROVIDE A FRAMEWORK FOR EXPLORING COOPERATION IN THREE INDUSTRIAL FIELDS INVOLVING THREE SPERRY DIVISIONS: FARM MACHINERY (SPERRY-NEW HOLLAND), HYDRAULICS (SPERRY-VICKERS) AND COMMERCIAL COMPUTER SYSTEMS (SPERRY-UNIVAC). HOWEVER, THOMPSON STRESSED PUBLICLY AND PRIVATELY THAT THE AGREEMENT WILL PROVE TO BE SIGNIFICANT ONLY IF

CONCRETE COOPERATION PROJECTS EMERGE WITHIN THE NEXT SEVERAL MONTHS. THE SAME POINT WAS MADE BY THE FIVE VICE PRESIDENTS OF VARIOUS SPERRY DIVISIONS AND OTHER SPERRY OFFICIALS WHO ACCOMPANIED MR. THOMPSON TO PRAGUE.

3. NEVERTHELESS, THE CZECHOSLOVAKS SOUGHT TO PORTRAY THE AGREEMENT, WHICH THEY DESCRIBE AS THE FIRST EVER BETWEEN A GOC MINISTRY AND A U.S. CORPORATION, AS HIGHLY SIGNIFICANT PER SE. (NOTE: THE AGREEMENT WHICH ALLIS CHALMERS SIGNED IN 1977 WAS WITH MOTOKOV FOREIGN TRADE CORPORATION, NOT A MINISTRY.) MRAZEK, MFA'S SIXTH DEPARTMENT HEAD ZANTOVSKY AND OTHER GOC OFFICIALS CONSPICUOUSLY PARTICIPATED IN THE ROUND OF SOCIAL FUNCTIONS HONORING THE VISITING SPERRY GROUP, INCLUDING THE AMBASSADOR'S MAY 24 LUNCHEON. MORE THAN ONCE, GOC OFFICIALS NOTED THEIR DISPLEASURE THAT USG STILL HAS NOT SIGNED THE BILATERAL AGREEMENT ON SCIENTIFIC, TECHNOLOGICAL, CULTURAL AND EDUCATIONAL EXCHANGES NEGOTIATED IN 1976 AND HINTED THAT GOC VIEWS THE SPERRY-FMTIR AGREEMENT AS A PARTIAL SURROGATE FOR THE STALLED INTER-GOVERNMENTAL ACCORD. THE CZECHOSLOVAKS OFTEN SEEMED MORE INTERESTED IN RHETORIC AND PROPAGANDA THAN IN SPECIFIC PRACTICAL RESULTS, ALTHOUGH THIS ATTITUDE MAY CHANGE AS COMMERCIAL DISCUSSIONS IN THE VARIOUS AREAS OF POSSIBLE INDUSTRIAL COOPERATION PROCEED. THE SPERRY SIDE SURPRISED THE CZECHOSLOVAKS ON MAY 24 BY MAKING A FORMAL PROPOSAL ON LOCAL PRODUCTION OF A NEW HOLLAND LOADER. THE SPERRY OFFICIALS ALSO TOLD THE CZECHOSLOVAKS LIMITED OFFICIAL USE

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THAT THEY LOOK FOR AGREEMENT TO BE REACHED ON SPECIFIC COOPERATION PROJECTS WITHIN THE NEXT SIX MONTHS OR THEY WILL CONSIDER THE AGREEMENT VIRTUALLY MEANINGLESS.

4. COMMENT: SPERRY HAS CONSIDERED A POSSIBLE AGREEMENT WITH THE GOC EVER SINCE SPERRY RAND CHAIRMAN LYET BECAME CHAIRMAN OF THE U.S. SECTION OF THE CZECHOSLOVAK-U.S. ECONOMIC COUNCIL IN 1977. WHETHER THE NOW SIGNED ACCORD WILL EVENTUALLY BEAR FRUIT IS STILL UNCERTAIN, ALTHOUGH THE GOC ATTENTION SHOWN TO DATE INDICATES THERE IS STRONG CZECHOSLOVAK INTEREST IN MAKING IT WORK. GIVEN THE CSSR'S SERIOUS ECONOMIC AND TRADE PROBLEMS, IT CLEARLY IS IN THE GOC'S INTEREST TO MAKE IT WORK SINCE IT COULD PROVIDE SUBSTANTIAL HARD CURRENCY EXPORTS AND INFUSIONS OF BADLY NEEDED WESTERN TECHNOLOGIES. HOWEVER, AS THE SPERRY OFFICIALS NOW REALIZE, IT IS EXTREMELY DIFFICULT TO GET THE SLUGGISH LOCAL BUREAUCRACY TO RESPOND SWIFTLY TO ECONOMIC OPPORTUNITIES. IT CERTAINLY SEEMS UNLIKELY THAT SPECIFIC COOPERATION PROJECTS WILL BE AGREED UPON BEFORE THE THIRD PLENUM OF THE CZECHOSLOVAK-U.S. ECONOMIC COUNCIL (SEPTEL) IS HELD HERE NEXT SEPTEMBER, THE TARGET FIRST MENTIONED BY THE SPERRY SIDE. WHETHER THE SIX-MONTH TARGET DATE CAN BE MET SEEMS ONLY SLIGHTLY MORE LIKELY, DESPITE THE ECONOMIC AND EVEN POLITICAL REASONS THE GOC NO

DOUBT PERCEIVES IN TRANSLATING THE AGREEMENT INTO REAL RESULTS.

DECONTROL 5/26/79.

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